

Message Text

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PAGE 01 OECD P 01266 01 OF 02 131857Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
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R 131855Z JAN 77
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TO SECSTATE WASH DC 4936
INFO ALL OECD CAPITALS 0666
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LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 01266

DEPT PASS MARAD, FMC

E.O. 11652: N/A
TAGS: ETRN, OECD
SUBJECT: MEETING OF WP6 OF THE COUNCIL ON SHIPBUILDING,
JAN 11, 1977

REFS: A) OECD 36225; B) OECD 37994; C) TOKYO 18790

1. WP6 OF THE COUNCIL ON SHIPBUILDING MET JANUARY 11
DURING WHICH THE EUROPEANS CONTINUED TO PRESSURE THE
JAPANESE TO ACCEPT THE EC PROPOSAL FOR MARKET SHARING.
(SEE REF A). WHILE THE JAPANESE WOULD NOT FORMALLY
ACCEPT EC PROPOSAL, THEY INDICATED FURTHER EFFORTS ON

THEIR PART TO DEAL WITH THE PROBLEM OF OVER-CAPACITY.
UNMOLLIFIED, THE EUROPEANS INCREASED THEIR PRESSURE
FOR IMMEDIATE TANGIBLE MEASURES BY THE JAPANESE TO DEAL
WITH THE CRISIS IN THE SHORT AND LONG TERM, AND THREATEN-
ED "AUTONOMOUS ACTION" IF THE JAPANESE WERE NOT MORE
FORTHCOMING. NEXT WP MEETING ON FEBRUARY 8-9 WILL BE
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PAGE 02 OECD P 01266 01 OF 02 131857Z

PRECEDED BY A MEETING OF EXPERTS TO RESOLVE TECHNICAL
PROBLEMS TO THE AGREED UPON EXCHANGE OF INFORMATION BY
ALL WP MEMBERS ON NEW SHIPBUILDING ORDERS, CANCELLATIONS
AND BACKLOGS. END SUMMARY.

2. THE JANUARY 11 MEETING OF WP6 WAS HELD SOLELY TO
DISCUSS MEANS OF RESOLVING THE PROBLEM OF OVER-CAPACITY

IN THE SHIPBUILDING INDUSTRY. JAPANESE DELEGATION WAS
LED BY DCM YANAI WHO EXPLAINED THE GOJ COULD NOT SEND
A REPRESENTATIVE BECAUSE THE NEW GOVERNMENT WAS IN
PROCESS OF PREPARING BUDGET. BOTH EC AND JAPANESE
REPRESENTATIVES REPORTED ON THE INFORMAL MEETINGS IN
TOKYO DECEMBER 21-22 (REF C) WHERE THE JAPANESE AND
EUROPEANS DISCUSSED THE EEC PROPOSAL FOR MARKET SHARING
WHICH WAS TABLED AT THE LAST WP MEETING' ALTHOUGH
THERE WAS GENERAL AGREEMENT ON THE NEED TO DEAL WITH
THE PRESENT SHIPBUILDING CRISIS, THE TOKYO MEETING
PRODUCED NO APPARENT TANGIBLE RESULTS. THE JAPANESE
DELEGATE SAID "THAT HE WAS NOT CONVINCED OF THE APPRO-
PRIATENESS OF SHARING NEW ORDERS BETWEEN JAPAN AND
WESTERN EUROPEAN COUNTRIES ON A 50-50 BASIS AS FROM
JANUARY 1977". HOWEVER, THERE ARE INDICATIONS OF FURTHER
ACCOMMODATING ACTIONS BY THE JAPANESE WHO NOTED BOTH IN
TOKYO AND AT THE WP MEETING UNDER REPORT THAT THEY
(A) MAY EXTEND MAN-HOUR LIMITATIONS TO MEDIUM AND SMALL
SIZE YARDS, (B) EXTEND PRICING GUIDELINES TO VESSELS
UNDER 2500 DEAD WEIGHT TONS, (C) WILL NOT EXCEED
THEIR PRESENT SHARE OF THE MARKET, AND (D) AGREED TO
EXCHANGE INFORMATION ON THE CONDITION THAT CANCELLATIONS
AND BACKLOGS (ORDER BOOKS) ARE TO BE CONSIDERED IN
ADDITION TO NEW ORDER DATA. UNMOLLIFIED, THE EUROPEANS
CONTINUED TO PRESS FOR FORMAL JAPANESE ACCEPTANCE OF
THEIR PROPOSAL; BUT THE JAPANESE WOULD NOT ACCEDE.

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PAGE 01 OECD P 01266 02 OF 02 131902Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 OECD PARIS 01266

3. WHILE THE EUROPEANS FELT THEY WERE MAKING A MAJOR COMPROMISE BY ALLOWING INCLUSION OF BACKLOG DATA IN THE INFORMATION EXCHANGE, THEY INSISTED THAT AN EXCHANGE OF INFORMATION WITHOUT SPECIFIC MEASURES WAS NOT SUFFICIENT TO COPE WITH THE CRISIS. THEY STATED THAT IF SHORT-TERM CONCRETE MEASURES WERE NOT TAKEN BY THE JAPANESE, THE EUROPEANS WOULD BE FORCED TO TAKE "AUTONOMOUS ACTION" OR, AS EXPRESSED BY THE SWEDISH DEL, "IF WE DO NOT FIND A WAY TO DEAL WITH THE PROBLEM, THE EUROPEANS WOULD HAVE TO TAKE PROTECTIVE MEASURES".

4. THE WP CHAIRMAN ENDED THE MEETING BY REQUESTING THAT AT THE NEXT SESSION (A) THE JAPANESE CLARIFY EXACTLY WHAT MEASURES THEY WILL TAKE IN ORDER NOT TO EXCEED THEIR PRESENT MARKET SHARE SINCE THEY STATED THE GOJ HAS NO LEGAL AUTHORITY TO CONTROL THE LEVEL OF NEW ORDERS PLACED WITH ITS SHIPBUILDING INDUSTRY; (B) THAT THE EUROPEANS CLARIFY WHAT THEY MEAN BY "AUTONOMOUS MEASURES OF PROTECTION".
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PAGE 02 OECD P 01266 02 OF 02 131902Z

5. COMMENT -
DESPITE UNANIMOUSLY VOICED DISAPPOINTMENT BY THE EUROPEANS OVER JAPANESE RELUCTANCE TO ENTER INTO A MARKET SHARING AGREEMENT, AND PRESS REPORTS THAT THE TALKS WERE MOVING CLOSER TO A FINAL BREAKDOWN, IT APPEARED TO US THAT THE JAPANESE MADE FURTHER IMPORTANT CONCESSIONS AT THIS MEETING. NAMELY, AN EXPRESSED WILLINGNESS TO CONSIDER EXTENDING PRICE GUIDELINES AND MAN-HOUR LIMITATIONS TO MEDIUM AND SMALLER YARDS (WHICH COMPETE MORE KEENLY WITH THEIR EUROPEAN COUNTERPARTS), AND THE PROMISE NOT TO EXCEED THEIR PRESENT SHARE OF THE MARKET. FURTHERMORE, JAPANESE ACCEPTANCE OF AN INFORMATION EXCHANGE SYSTEM COULD IMPLY A POSSIBLE WILLINGNESS TO USE THIS INFORMATION IN THE FUTURE AS A BASIS FOR DE FACTO MARKET SHARING.
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